

Message Text

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3191

C O N F I D E N T I A L LONDON 10703

DEPARTMENT PASS TREASURY FOR BLYBERG AND EXIM

E.O. 11652: XGDS-1

TAGS: EFIN, UK

SUBJECT: GENTLEMEN'S AGREEMENT

REF: LONDON 10475

1. THE TEXT OF THE CABLE WHICH LILIANA ARCHIBALD PROPOSES TO SEND TO MEMBERS OF THE EEC CREDIT COORDINATION GROUP FOR DISCUSSION AT THEIR SEPTEMBER 9 MEETING HAS BEEN GIVEN ASSISTANT FINANCIAL ATTACHE BY JOAN KELLEY, WITH THE REQUEST THAT THIS DOCUMENT BE HELD IN STRICTEST CONFIDENCE WITHIN THE USGOVERNMENT. THE IDEAS CONTAINED IN THE TEXT REFLECT THE DISCUSSION WHICH TOOK PLACE AT A MEETING HELD AT HMTREASURY ON AUGUST 15 (SEE REFTEL). IF WASHINGTON AGENCIES HAVE QUERIES ON THE TEXT OR WOULD LIKE TO RAISE ANY OTHER POINTS ON THE SUBJECT, MISS KELLEY WOULD BE PLEASED TO RESPOND.

2. THE TEXT IS AS FOLLOWS:

1. AT OUR COORDINATION GROUP MEETING OF 9 SEPTEMBER WE WILL HAVE TO CONSIDER TWO LENGTHS OF CREDIT FOR THE GENTLEMEN'S AGREEMENT, VIZ: 8-1/2 YEARS AND 10 YEARS. WE WILL ALSO HAVE TO AGREE ON WHICH

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COUNTRIES SHOULD HAVE NO MORE THAN FIVE YEARS

CREDIT IN ACCORDANCE WITH THE UNANIMOUS WISHES OF THE GROUP AT ITS MEETING ON 4 JULY.

2. I WOULD LIKE TO SUGGEST THE FOLLOWING FOR YOUR CONSIDERATION: BENEFICIARIES OF MAXIMUM 10 YEARS CREDIT SHOULD BE THOSE COUNTRIES ON CURRENT 1971 DAC LIST GIVING A PER CAPITA GNP OF LESS THAN ONE THOUSAND DOLLARS. THIS WOULD EXCLUDE THE RICHER OIL COUNTRIES AS PER PARAGRAPH 21 OF OECD DOCUMENT DAC(74)26 DATED PARIS 21 JUNE 1974. BENEFICIARIES OF 8-1/2 YEARS MAXIMUM CREDIT WOULD BE THE REST OF THE WORLD INCLUDING SOVIET UNION.
3. FOR THE PURPOSE OF RESTRICTING CREDIT TO RICHER COUNTRIES TO A MAXIMUM OF 5 YEARS, THE COUNTRIES COVERED BY THIS LIMITATION WOULD BE
 - A. ALL EEC COUNTRIES;
 - B. AUSTRALIA, AUSTRIA, CANADA, JAPAN, NORWAY, SWEDEN, SWITZERLAND, USA, FINLAND, SOUTH AFRICA, ICELAND AND NEW ZEALAND;
 - C. THE OIL COUNTRIES WITH PER CAPITA GNP APPROACHING OR EXCEEDING ONE THOUSAND DOLLARS WHICH WOULD INCLUDE IRAN, KUWAIT, LIBYA, EMIRATES AND SAUDI ARABIA, IE THOSE COUNTRIES REFERRED TO IN PARAGRAPH 21 OF DAC(74)26, AND WHICH ARE CONTRIBUTING TO THE INTERNATIONAL RELIEF EFFORT TO THE COUNTRIES MOST AFFECTED BY THE RISE IN OIL PRICES.
4. IN VIEW OF THE FACT THAT THERE WILL BE A PRECISE RATE OF INTEREST AND NAMED COUNTRIES, PROVISION SHOULD BE MADE FOR REVIEW AFTER THE AGREEMENT HAS BEEN IN EFFECT FOR SIX MONTHS, AND, IF REQUIRED, AT SIX MONTHLY INTERVALS THEREAFTER.

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